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Message Text

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PAGE 01 BUENOS 02919 261156Z

42
ACTION ARA-10

INFO OCT-01 ISO-00 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

AGR-05 L-02 H-02 DODE-00 PA-01 USIA-06 PRS-01 /089 W
---------- 061316
R 262138Z APR 75
FM AMEMBASSY BUENOS AIRES
TO SECSTATE WASHDC 0962

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E.O. 11652: N/A
TAGS: EFIN, EGEN, AR
SUBJ: GOMEZ MORALES SPEAKS ON GOA ECONOMIC PLAN & ECONOMIC SITUATION

REF: A. BA 2759; B. BA 2674

1. DURING RECENT DAYS, GOA ECONOMIC PLAN SUBMITTED TO MRS. PERON APRIL 15 (SEE REFTEL) HAS BEEN UNDER REVIEW BY CABINET. WITH PUBLIC ATTENTION FOCUSSED ON ECONOMIC PLAN AND SITUATION, ECON MIN HELD TV PRESS CONFERENCE APRIL 21 TO EXPRSS HIS VIEWS. HIGHLIGHTS FOLLOW.

GENERAL CONTITIONS- SITUATION OF ECONOMY NOT AS DIFFICULT AS 1952. HOWEVER, ARGENTINE SOCIEYT MORE COMPLIATED NOW AND PEOPLE NOT SO COOPERATIVE. LOW PRODUCTIVEITY AND SPENDING IN EXCESS PRODICTION ARE MAJOR PROBLEMS. EXCESS BUDGET DEFICIT PRIMARYSOURCE INFLATION.
ECON PLAN- PLAN SEEKS RAISE PRODUCTIVITY AND RATIONALIZE PUBLIC SECTOR SPENDING. UNITY OF CONCEPTION AND IMPLEMENTATION, TOGETHER WITH BROAD BASED POLITICAL SUPPORT, NECESSARY FOR ITS SUCCESS.
ECONOMIC PHILOSOPHY- SCHOOL OF ECONOMIC LIBERALISM,
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BASED FREE MARKET WITH MONETARY ADJUSTMENTS, PRODUCES

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FLUCTUATIONS AND HIGH UNEMPLOYMENT. ARGENTINE POLICY,
IN CONTRAST, BASED CONSENSUS AND SOCIAL DISCIPLINE FOR
FULL EMPLOYMENT AND IMPROVED INCOME DISTRIBUTIN.
THREE YEAR PLAN (PLAN TRIENAL)- OBJECTIVES EXAGGERATED
BECAUSE THEY BASED ON 1973 ECONOMIC SITUATION WHICH
EXCEPTIONALLY FAVORABLE FOR ARGENTINA.
INFLATION- MARCH COL INCREASE OF 8 PERCENT EXTREMELY
DANGEROUS. FUTURE COL INCREASES SHOUD BE LESS AS
PRICE FREEZE TAKES HOLD.
WAGE NEOGITATIONS (PARITARIAS)- GOA DOES NOT INTEND
POSTPONE OR DELAY PARITARIAS. WORKERS SHOULD CONSIDER
ECONOMIC SITUATION AND NOT REQUEST TOO MUCH.
PRICE FREEZE- PRICE FREEZE INTRODUCED MAY 1973 AN ERROR
BECAUSE IT MAINTAINED TOO LONG CAUSING BLACK MARKET AND
REDUCING PRODUCTIVE INVESTMENT. STATE PARTIALLY TO BLAME -
PRICE FREEZES SHOUD ALWAYS BE TEMPORARY.
NATIONALIZATIN- GENRAL PERON TAUGHT THAT BUYING WHAT
ALREADY EXISTS IS ABSURD, UNLESS REQUIRED MAINTAIN
SOVEREIGNTY ANDDECISION MAKEING POER. PUBLIC RESOURCES
BETTER SPENT OTHER INVESTMENT PROJECTS.
FOREIGN INVESTMENT- SOME ASPECTS FOREING INVESTMENT LAW
AND REGULATIONS EXAGGERATED; IN FACT LAW HARSHER THAN
ANDEAN PACT INVESTMENT CODE IN SOME RESPECTS. PHILOSOPHY
OF LAW SHOULD BE MAINTAINED, BUT SME DISPOSITIONS MUST
BE ADOPTED ON MORE PRAGMATIC GASIS. CURRENTLY, ARGENTINA
HAS ONLY TWO FOREIGN INVESTMENT APPLICATIONS PENDING.
ALL REMAINING PETITIONS ARE FOR PROFIT REINVESTMENT
OR TRANSFORMATION OF FOREIGN COMPANIES INTO MIXEDOR
NATIONA ENTITIES. TRANSFORMATION PROCESS WOULD INVOLVE
TRANSFER OF CAPITAL ABROAD WHICH INCOMPREHENSIBLE RESUTT
PRESENT LAW.
AGRIGUCLTURE- GOA GIVE EXTRAORDINARY IMPORTANCE AGRI-
CULTURE WHICH PRIMARY SOURCE FOREIGN EXCHANGE EARNINGS.
COMPLAINTS OF CATTLE SECTOR UNDERSTANDABLE, BUT WORLD
MEAT SITUATION VERY DIFFICULT.
FOREIGN CREDITS- ARGENTINA EMBARKED LARGEST PUBLIC WORKS
EXPANSION PROGRAM IN ITS HISTROY. INTERNATIONAL ORGAN-
IZATIONS PROVIDING REASONABLE LEVELS CREDITS TO PUBLIC
ENTITIES.
COMMENT- AS OUTLINED REF A, SITUATION OF ECONOMY IS ERIOUS.
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HOWEVER WE ENCOURAGED THAT GOA APPEARS RECOGNIZE THIS FACT
AND WILLING ADMIT IT PUBLICILY. IN OUR VIEW, APRIL 21, PRESS
INTERVIEW IS ONE OF MOST OPEN AND FORTHRIGHT MIN OF ECON
HAS YET MADE. HIS COMMENTS ON DISADVANTAGES OF EXCESS
NATIONALISM AND NECESSITY TO ADJUST FOREIGN INVESTMENT
LAW ARE ESPECIALLY ENCOURAGEING. IN GENERAL, MIN GOMEZ MORALES
HAS BEEN ADOPTING MORE OPEN AND HARD HITTING POSTURE OF
LATE WHICH WE BELIVE IMPRVING HIS STATURE WITH SOME WHILE

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MAKING SOME ENEMIES AMONG OTHERS.
HILL

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Message Attributes

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